Supreme Court, U.S.
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No. 02-1142

IN THE

Supreme Court of the United States

TY INC.,

Petitioner,

v.

RUTH PERRYMAN,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

REPLY BRIEF

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STATEMENT PURSUANT TO RULE 29.6

Petitioner's corporate disclosure statement was set forth at page *ii* of its Petition for Writ of Certiorari, and there are no amendments to that statement.

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In its petition for certiorari, Ty demonstrated that the Seventh Circuit's ruling runs counter to every opinion that has ever considered the unauthorized use of a trademark as part of a business name. In dozens of cases – exemplified by those involving the sale or service of automobiles – the circuit and district courts have consistently held that the unauthorized use of a trademark in a business name violates the trademark owner's rights, whether in the context of trademark infringement, unfair competition or, most recently, the Federal Trademark Dilution Act. Petitioner and *amicus* AT&T further demonstrated the marked adverse effect that the ruling below will have on famous trademarks, with *amicus* focusing particularly on the irony that the Seventh Circuit all but embraces the prospect of famous trademarks becoming generic terms, despite Congress's clear intent to the contrary.

Respondent has opposed the grant of certiorari by claiming that the opinion below is innocuous, and limited to the peculiar facts of this case. Respondent further states that the case authority cited by petitioner is distinguishable, either because the cases were decided under the trademark infringement rather than trademark dilution provisions of the Lanham Act, or because the cases involved particular facts not present here. Those arguments lack merit. The Seventh Circuit's ruling is not limited to the particular facts of this case, but announces a broad and generally applicable proposition of law. Moreover, respondent's attempt to distinguish the authorities cited by Ty ignores the obvious import of those decisions – *viz.*, that the unauthorized use of a trademark in a business name cannot be countenanced under the infringement or dilution laws because a mark that appears as part of a business name refers to the business itself – not the products or services being offered by the business. In the

context of the FTDA, this means that the mark so used no longer signifies something unique, singular, or particular.

1. Respondent principally opposes certiorari on the grounds that the Seventh Circuit's ruling is assertedly limited to the "case specific facts" based on "petitioner's own marketing strategy" and has no "far reaching implications for owners of famous marks." BIO 3. To support this argument, respondent quotes a passage lifted from the final paragraph of the opinion, in which the court characterizes this case as "unusual." Read in context, however, that statement by the court of appeals' merely demonstrates the opinion's extraordinary breadth:

> The judge merely granted summary judgment for Ty, and we are merely reversing (in part) that ruling. *Ordinarily this would mean that Ty would have a shot at a trial in which it might try to convince the judge . . . that its rights under antidilution law really were violated. But this case is unusual* because, given Perryman's status as a seller in the secondary market created as a result of Ty's marketing strategy, we cannot imagine a set of facts consistent with the extensive record compiled in the summary judgment proceeding that could possibly justify an injunction against Perryman's representing in her business name and Internet and Web addresses that she is doing what she has a perfect right to do, namely sell Beanie Babies. We therefore direct that the proceedings on remand be limited to the reformulation of the injunction in conformity with this opinion.

Pet. App. 11a-12a (emphases added). The Seventh Circuit was thus adopting the admittedly "unusual" rule that

Petitioner Ty would *not* receive a trial on its claims because its allegations could not, in the court's view, state a claim *as a matter of law*.

Indeed, in that portion of the opinion in which the Seventh Circuit ruled on the merits, the court's determination that Respondent could use Ty's famous mark in her domain and business name was based on the fact that Perryman was re-selling Ty's products, not in the court's belief that Ty may have been instrumental in creating the secondary market, as Respondent now urges:

> Perryman is not producing a product, or a service, such as dining at a restaurant, that is distinct from any specific product; rather, she is selling the very product to which the trademark sought to be defended against her "infringement" is attached. * * * [The secondary] market is unlikely to operate efficiently if sellers who specialize in servicing it cannot use "Beanies" to identify their business. Perryman's principal merchandise is Beanie Babies, so that to forbid it to use "Beanies" in its business name and advertising (Web or otherwise) is like forbidding a used car dealer who specializes in selling Chevrolets to mention the name in his advertising.

Pet. App. pp. 6a-7a. Accordingly, Respondent's claim that the Seventh Circuit's ruling has no "far reaching implications for owners of famous marks" is incorrect. *See also* Brief of AT&T Corp. as *Amicus Curiae* in Support of Petitioner 7 ("The Seventh Circuit's decision warrants review and reversal because it undermines the very ability of the owner of a famous mark to preserve the uniqueness of that mark by enjoining the unauthorized, unrelated reseller from using the

famous mark as the reseller's own business and domain name.")

2. Respondent further contends that the "automobile reseller" cases cited by Petitioner do not raise a conflict because they are trademark infringement and unfair competition cases under 15 U.S.C. §§ 1114(1) and 1125(a), in which likelihood of confusion was the determining factor. *See* BIO 4-5, 8-9. However, the trademark infringement and dilution provisions of the Lanham Act work in tandem, and the fact that some of the automobile reseller cases cited by petitioner were decided under the trademark infringement statutes does not diminish their importance. A claim of trademark infringement is *more* difficult to make out than a claim under the FTDA, which does not require the plaintiff to prove confusion. The "automobile reseller" cases cited by Petitioner are equally instructive in the context of trademark dilution, because they recognize the important principle that use of a trademark as part of a business name is significantly different than use of a trademark to advertise trademarked goods. Indeed, these courts noted that a trademark incorporated into a business name was actionable infringement because such use referred to the business itself rather than the product being sold or serviced by the business, and hence created a likelihood of confusion as to the source of the business (because consumers were likely to be misled into believing that the businesses were affiliated with the trademark holder when they were not). These courts, however, realized that the trademark laws do not prohibit use of a trademark in advertisements to describe truthfully the trademarked goods being sold.[1]

1. *See Volkswagenwerk Aktiengesellschaft v. Volks City, Inc.*, 348 F.2d 659, 660 (CA3 1965) (use of "Volkswagen" in business

(Cont'd)

These same principles apply in the context of trademark dilution. That is, when a third party, such as Respondent, uses a famous trademark in her business and domain names, the trademark refers to the business itself rather than the trademarked goods. As a result, the trademark will call to the public's mind not only the trademark owner, but every other entity that uses the mark in its business name or domain name. This, in turn, causes the mark to lose its distinctiveness. Although, in the dilution cases, there may not be confusion as to the source of these businesses, the fact that the use "reduces the public's perception that the mark signifies something unique, singular, or particular" triggers the protection of the dilution laws. *See* H.R. Rep. No. 104-374 at 1030. The Seventh Circuit's rejection of this critical principle therefore does in fact create a conflict with other circuits.[2]

(Cont'd)
names (such as "Volks City," "Volkswagen City," and "Beetle City,") conveyed the impression of affiliation with plaintiff and was preliminarily enjoined, but use of the sign "Volkswagens For Sale" was not enjoined); *Trail Chevrolet Inc. v. General Motors Corp.*, 381 F.2d 353, 354 (CA5 1967) (seller of Chevrolet cars could not use "Chevrolet" in business name because this use suggested that it was a GM authorized dealer, although seller was "free to advertise that they sell used Chevrolets"); *Volkswagenwerk Aktiengesellschaft* v. *Rickard*, 492 F.2d 474 (CA5 1974) (defendant could not use plaintiff's marks as part of its business name, "The Bug Shop," but could use plaintiff's trademarks to advertise that it serviced plaintiff's cars); and *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 351-52 (CA9 1969) (defendant's use of the mark "Volkswagen" as part of its business name violated the trademark laws, although the defendant could advertise that it serviced Volkswagen and Porsche automobiles).

2. Respondent's attempt to distinguish the other cases cited by petitioner because they involved different facts than the case at bar
(Cont'd)

This Court's intervening opinion in *Moseley v. V. Secret Catalogue, Inc.*, No. 01-1015 (U.S. Mar. 4, 2003) involved a different aspect of the FTDA, and does not suggest a different result in the instant case. Petitioner does not rely on the theory rejected by this Court in *Moseley – viz.*, that an FTDA plaintiff need not prove actual dilution. Rather, Petitioner takes issue with the appellate court's holding that Petitioner could not prove dilution solely because Respondent was reselling Petitioner's products. Furthermore, in *Moseley*, this Court stated that "*where the marks at issue are not identical*, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution" *Id.*, slip op. at 15 (emphasis added). *Moseley* thus suggests that that where, as here, the marks are identical, the fact that consumers will mentally associate the junior user's mark (Bargain Beanies) with a famous mark (Beanies) *is* sufficient to establish actionable dilution. *See id.* at 16 ("actual dilution can be reliably proven through circumstantial evidence – the obvious case is one where the junior and senior marks are identical.").

(Cont'd)

should also be disregarded, because the general statements about the background and purpose of the dilution statute as set forth in these cases applies regardless of the facts. *See, e.g., Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (CA9 1998), *Times Mirror Magazines, Inc. v. Las Vegas Sport News, L.L.C.*, 212 F.3d 157 (CA3 2000), *Ringling Bros.-Barnum & Bailey Comb. Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (CA4 1999), and *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168 (CA2 2000). Moreover, although this Court recently disagreed with the holding in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (CA2 1999), which held that dilution under the FTDA can be established through likelihood of dilution rather than actual dilution (*see Moseley v. V. Secret Catalogue, Inc.*, No. 01-1015 (U.S. Mar. 4, 2003) at 14), Petitioner does not rely upon this aspect of *Nabisco* in support of its Petition.

In this regard, it should be remembered that the courts exclude generic or common descriptive words used in connection with trademarks (such as the generic word "bargain" in Respondent's "Bargain Beanies" mark) when determining the similarity of two marks. This is precisely what the Sixth Circuit did in *PACCAR Inc. v. Telescan Techs., L.L.C.*, 319 F.3d 243 (CA6 2003), where the court "exclud[ed] the generic or common descriptive words following the [defendant's] mark such as 'trucks' and 'dealers'" and found that the domain names peterbiltnewtrucks.com and kenworthusedtrucks.com contained an "exact character match" to plaintiff's peterbilt.com and kenworth.com marks. *Id.* at 252. *See also* 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 23:50 at p. 23-248 (4th Ed. 2002) ("the general rule is that a subsequent user may not avoid likely confusion by appropriating another's entire mark and adding descriptive or non-distinct matter to it.")

3. Respondent's contention that the district court's opinion in *PACCAR, Inc. v. TeleScan Techs., LLC*, 115 F.Supp.2d 772 (E.D. Mich. 2000), has been "nullified" by the Sixth Circuit (BIO 4) is also meritless. In *PACCAR*, the district court preliminarily enjoined the defendant from using Plaintiff's "Peterbilt" and "Kenworth" trademarks in its domain names for a website that located used Peterbilt and Kenworth trucks. The injunction was issued on the basis of trademark infringement, as well as trademark dilution under the Lanham Act. 115 F. Supp. 2d at 779-80. The defendant appealed and, after Ty filed its Petition for Certiorari in this case, the Sixth Circuit issued its opinion in *PACCAR*. Because the Sixth Circuit affirmed the grant of the preliminary injunction on the basis of trademark infringement, it did not reach the issue of whether the defendant's use of the

plaintiff's marks also constituted dilution, particularly where neither party "devote[d] much of its argument on appeal to the dilution issue, concentrating instead on the infringement claim." *PACCAR*, 319 F.3d at 257. Accordingly, nothing about the Sixth Circuit's decision calls the district court's dilution analysis into question.

In fact, the Sixth Circuit's opinion in *PACCAR* lends support to Ty's Petition for Certiorari because it confirms as "obvious" that "words in many domain names can and do communicate information as to the source or sponsor of the web site," and further notes that where the defendant included the plaintiff's trademarks in its domain names, it was "thereby describing its own products – its web sites." *PACCAR*, 319 F.3d at 250, 256.

CONCLUSION

For the foregoing reasons, and the reasons stated in the petition and the *amicus* brief in support of the petition, certiorari should be granted.

Respectfully submitted,

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